

**MINUTES
REGULAR MEETING
RETIREMENT BOARD OF TRUSTEES
EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE
AND PARISH OF EAST BATON ROUGE
FEBRUARY 28, 2019**

The regular meeting of the Retirement Board of Trustees was held in the boardroom of the Retirement Office at 209 St. Ferdinand Street, and was called to order at 10:00 a.m. by Board Vice-Chairman Mr. Mark LeBlanc. Members present: Chief Richard Sullivan, Sgt. Neal Noel, Mr. Joseph Toups, Mr. David West, and Mr. Brian Bernard. Absent: Ms. Marsha Hanlon. Staff present: Mr. Jeffrey Yates, Mr. Russell Smith, Mr. Mark Williams, and Mr. Kyle Drago. Others present: Ms. Denise Akers – legal counsel, and Mr. Corey Artieta – BRFD.

Mr. Kyle Drago formally called the roll.

There was a call for public comments prior to introduction of the first agenda item. There were no public comments.

The vice-chairman began by introducing Item 1, Reading and Approval of Minutes, and noted that there were minutes being considered for approval from the regular meeting of January 31, 2019, and from the Investment Committee meetings of February 11, 2019 and February 12, 2019, and called for a motion.

Motion by Mr. West, seconded by Chief Sullivan to suspend the reading of, and approve the minutes of the regular meeting of January 31, 2019 as presented.

No discussion and no objections.

Motion passed by those members present.

Motion by Mr. West, seconded by Sgt. Noel to suspend the reading of, and approve the minutes of the Investment Committee meetings of February 11, 2019 and February 12, 2019 as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 2, Disability, there were no applications for consideration for disability retirement.

The next item on the agenda was Item 3, Benefits Report, and the vice-chairman called on Mr. Yates to present the report. Mr. Yates stated that the counselors always make sure the member is aware of how to maximize benefits, but the members sometimes have other retirement goals or family circumstances that dictate their actions. He stated that there were no unusual items on the report, and that the report was in order as presented.

Motion by Mr. Bernard, seconded by Mr. West to approve the Benefits Report as presented.

No discussion and no objections.

Motion passed by those members present.

The next item on the agenda was Item 4, DROP Notifications Report, and it was noted that this report was provided for informational purposes only, and no action was necessary.

The vice-chairman then moved to Item 5, Consultant Reports, and under 5A, Status on Pending Legal Matters called on Ms. Akers who stated that she had no outstanding items and nothing to report this month.

Under Item 6, Committee Reports, the vice-chairman stated that he would report on the two Investment Committee meetings under Item 6B. He stated that the Investment Committee had met on February 11, 2019 for a conference call with Mr. Valter Viola of Cortex Consulting, with the purpose of narrowing the field of possible investment consultant candidates. He stated that each firm that submitted a proposal in response to the RFP was discussed and evaluated. After reviewing and discussing the responses, the firm profiles, and observations from Cortex, the committee agreed to recommend to the Board that three firms be interviewed – AndCo, Meketa, and Wilshire. Mr. LeBlanc stated that AndCo, which was serving as interim investment consultant, should be included because they were the successor to Summit and had done a good job after the transition. Meketa is a mid-sized firm currently acquiring another proposing firm – PCA. They have a good representation of public defined benefit plans. Wilshire is an older firm with strong analytical capabilities and risk management focus. Mr. LeBlanc stated that questions would be asked during the interviews to get more information for the perceived weaknesses of each firm. He encouraged all Board members to attend the interviews because the selection of the investment consultant is such an important factor in the System's continued success. He then briefly

commented on the firms that were eliminated during the search, and the reasons why. It was noted that the meeting would be scheduled for March 19, 2019 at 1:30 p.m., and that Cortex would be in attendance to help facilitate the interviews. Mr. West stated that the materials from Cortex had been very useful in the consultant evaluations. Discussion continued regarding the acquisition of PCA by Meketa, and how that might change Meketa's firm profile.

Motion by Mr. LeBlanc, seconded by Chief Sullivan to proceed with interviewing AndCo, Meketa, and Wilshire for the position of investment consultant.

No discussion and no objections.

Motion passed by those members present.

Mr. LeBlanc continued by recapping the Investment Committee meeting of February 12, 2019, at which the 4th quarter and year-end investment performances were presented by AndCo. He noted that the performance had been negative for both the quarter and the year, but that January had rebounded strongly in most of the asset classes. He also brought up the possibility of the legislative actuary recommending that state and statewide retirement systems lower the expected rate of return to 5.75 percent. The LMA followed that recommendation with a memo outlining the extreme potential funding problems this could bring about, including very large increases in employer contribution rates, and significant decreases to the funded ratios. Some of the plan actuaries are pushing back against this recommendation. Ms. Akers stated that Gary Curran, whose firm is employed by all the statewide retirement systems, has voiced concerns against the recommendation. She also noted that a new legislative actuary had just come on board, and was actively attending the board meetings for many of the systems, and that the parties that were promoting the recommendation for a 5.75 percent rate of return assumption appeared to be backing off the idea. Mr. LeBlanc continued with the quarterly report by highlighting the particularly weak areas of the asset allocation. He also noted that AndCo had added some resources such as a third-party to poll clients regarding satisfaction levels for client service. Although AndCo was implying they would be recommending some changes to the portfolio, the committee made it clear that no changes would be made until a permanent consultant was put in place.

Moving to Item 7, Staff Reports, the vice-chairman noted that under Item 7C there were invoices from the Law Offices of Akers & Wisbar, LLC, which Mr. Smith verified as being in order as presented.

Motion by Chief Sullivan, seconded by Mr. Toups to approve payment for the charges to the Law Offices of Akers & Wisbar, LLC as presented.

No discussion and no objections.

Motion passed by those members present.

Continuing to Item 7D, the vice-chairman noted an invoice from the Law Offices of Tarcza & Associates, and called on Mr. Yates who stated that the services were for completing forms for the reclamation of an Irish tax that had been paid on CPERS' investments.

Motion by Mr. West, seconded by Mr. Bernard to approve payment for the charges to the Law Offices of Tarcza & Associates, LLC as presented.

No discussion and no objections.

Motion passed by those members present.

Moving to Item 7E, the vice-chairman noted an invoice from the actuarial firm of Foster & Foster, and called on Mr. Yates who stated that the invoice covered the services for the PGT potential pay raise study, and for an Option 3 calculation for a member who wished to leave a benefit to a child. Mr. Yates explained the Option 3 benefit and why it needs calculation by the actuary. Mr. Williams elaborated on the particulars of this request by the member. Mr. West asked whether or not the Board had to provide this service, and Ms. Akers stated that it was governed by policy rather than by ordinance. It was noted that these types of requests were not frequent, and that about half were acted on by the members. Mr. Yates also noted a number of actuarial transfer calculation charges which were routine in nature.

Motion by Chief Sullivan, seconded by Mr. Toups to approve payment for the charges to the actuarial firm of Foster & Foster as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 7F, there were a number of investment manager invoices for the Board's review and verified by Mr. Smith to be in accordance with the manager contracts.

Under Item 7G, Cash Activity Report, it was noted that the report will be deferred until after the actuarial report is received.

The next item on the agenda was Item 8, Unfinished Business, and the vice-chairman noted that there were no items to be addressed.

Moving to Item 9, New Business, the vice-chairman noted there were no items on the agenda.

Under Item 10, Administrative Matters, Mr. LeBlanc asked Ms. Akers whether the Board would need to designate someone to chair the meeting in the absence of the chairman and vice-chairman. She stated that a motion would be in order to do that.

Motion by Mr. LeBlanc, seconded by Mr. Bernard to designate Mr. Toups to chair the March meeting in the absence of the chairman and vice-chairman.

No discussion and no objections.

Motion passed by those members present.

The vice-chairman then continued to Item 11, Police Guarantee Trust Matters, and under 11A, PGT Benefits Report, Mr. Yates stated that there were several DROP entries and that none were expected to have a guaranteed payment. He stated that the report was in order as presented. There was a brief discussion regarding HB 16 dealing with overtime salary having actuarial equivalent contributions paid within 30 days. Mr. Yates stated that he had given his comments on the Bill to the City's Finance Department.

Motion by Mr. Toups, seconded by Sgt. Noel to approve the PGT Benefits Report as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 11B, the vice-chairman noted that the PGT DROP Notifications Report was provided for the Board's information, and that no action was required.

There were no matters under Item 11C, Consultants' Reports.

There were several investment manager invoices under Item 11D.1 for the Board's review and verified by Mr. Smith to be in accordance with the manager contracts.

Under Item 11D.2 there were no items to address.

Under Item 11D.3, PGT Cash Activity Report, it was noted that the report will be deferred until after the actuarial report is received.

Under Items 11E New Business, and 11F Unfinished Business, and 11G, there were no items to address.

Mr. Bernard asked about the St. George formation, and whether or not the Board needed to take any action. Ms. Akers stated that the Board had a proposal to amend the ordinances to address withdrawal liability, but the Parish Attorney opined that the action needed to be accomplished through state statutes. It was noted that there was a new Parish Attorney who might need to take a fresh look at the proposal. Chief Sullivan stated that St. George had acknowledged legacy costs, but not in accordance with CPERS' actuarially computed costs and method of computation. It was noted by Ms. Akers that this item needed to be added to the current agenda by a vote of the Board prior to any action being taken.

Motion by Chief Sullivan, seconded by Mr. West to add an item regarding the legacy costs for St. George.

No discussion and no objections.

Motion passed by those members present.

Mr. LeBlanc recounted the reasons the Parish Attorney would not support the Board's proposal, and Ms. Akers stated that she outlined why she and Bob Klausner believed that the City could take action through the ordinances to define and collect withdrawal liability. Mr. Toups stated that he would like to request a written opinion from the new Parish Attorney regarding the Board's proposal. He stated that the Board should retry getting the ordinance changes approved, and that the worst that could happen was that the courts may later state that the changes were unenforceable against St. George.

Motion by Mr. LeBlanc, seconded by Mr. West to resubmit the Board's proposal, including the attorney letter and the proposed ordinance changes to the interim Parish Attorney, asking for a formal written opinion addressed to all Retirement Board members.

Under discussion it was noted that the Board is trying to protect the members of the System, and that CPERS employs the actuary who determines the method for assessing all System costs.

There were no objections to the motion.

Motion passed by those members present.

Seeing no further items on the agenda, the vice-chairman called for a motion to adjourn.

Motion by Mr. West, seconded by Mr. Bernard to adjourn at 10:53 a.m.

No discussion and no objections.

Motion passed by those members present.

MARK LEBLANC
VICE-CHAIRMAN, RETIREMENT BOARD OF TRUSTEES

JEFFREY R. YATES
RETIREMENT ADMINISTRATOR